



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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ACC CALLS SLICK KENTUCKY OIL AND GAS INVESTMENT A FRAUD

PHOENIX – The Arizona Corporation Commission entered multiple orders requiring individuals and their affiliated companies to return investor funds and to pay penalties for fraudulently promoting a Kentucky oil and gas investment opportunity. The Commissioners dismissed charges against one of the promoters who provided investigators with key information and testimony in the case.

The Commission issued a default order against four respondents who ignored a February 2006 order and continued to fraudulently offer and sell the oil and gas investment in Arizona. Named as respondents in the default order are:

- Mid America Energy, Inc. of Nevada
- Mid America Oil & Gas, LLC of Kentucky
- Energy Marketing, Inc. of Nevada
- Gary M. Milby a/k/a Gary Moss Milby and Gary M. Milley of Tennessee

Milby, 43, is president of Mid America Energy as well as president and owner of Mid America Oil & Gas. The Commission ordered Milby and the three companies to return a total of \$200,000 to investors and to pay \$100,000 in penalties. Also, in September 2006, Maricopa County Superior Court issued an order holding Milby and the companies in contempt for violating the Commission's temporary cease and desist order by continuing to advertise the investments. The Superior Court Judge ordered Milby and his companies to pay a \$1 million penalty.

From at least November 2005 through January 2006, the respondents advertised the oil and gas

investment opportunity in local newspapers and from a website, www.mid-americaoilandgas.com. Additionally, the opportunities were advertised on XM satellite radio. The ads promised investors thousands of dollars in monthly returns for up to 30 years for a one-time investment.

Milby and his companies claimed to be engaged in developmental drilling in several Kentucky locations. The Commission, however, found that they:

- Falsely represented that Mid America Energy's oil drilling is a private placement registered with the U.S. Securities and Exchange Commission;
- Failed to disclose to investors that Mid America Energy and Milby have a cease and desist order entered against them in Pennsylvania;
- Failed to inform prospective investors that Milby filed for Chapter 7 bankruptcy in November 2003, and
- Falsely represented that Mid America Oil and Gas, LLC is active and in good standing with Texas oil and gas regulators, when in fact it has been inactive since August 2005.

The Commission entered into a consent order with 64-year-old John Blitz, who agreed to stop selling the oil and gas investment. The Commission dismissed charges against 36-year-old James Whatcott after he cooperated with regulators, providing key information regarding the other respondents as well as the investors. Additionally, neither man had profited from the sale or offer of these investments.

Whatcott, whose primary occupation is in construction, began his association with the Mid America venture as an investor. He subsequently offered the investment opportunity to his friends and family, but the only person who invested was a close relative who did not pay sales commissions to Whatcott.

Blitz was a former salesperson for Mid America Energy, Inc. and Mid America Oil & Gas, LLC. He did not consummate any sales of the oil and gas investment and did not earn any commissions. Besides providing information during the investigation, Blitz testified under oath. Without admitting or denying the Commission's findings, Blitz agreed to pay \$3,000 as restitution to the investors.

Neither the investment nor any of the respondents were registered with the Commission's Securities Division to sell or offer securities or investment advice.

Anyone who has invested in this enterprise is urged to contact the Commission's Securities Division at

602-542-4242 or toll free, 1-866-VERIFY-9, and ask for the special investigator assigned to the case. To access the full text of the orders, click on the following link: <http://www.azcc.gov/enforcement/enforce-orders.asp>. All public documents related to the cases can be viewed and/or printed through the Commission's e-Docket system. The case or docket number assigned to this matter is S-20442A-06-0110.

Caution for Investors

Before investing, people should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free outside the Phoenix metropolitan area and Arizona at 1-866-VERIFY-9. The Division's investor education website also has helpful information at www.azinvestor.gov.

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